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GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING

MARIANNE UDOW
DIRECTOR

September 28, 2005

The Honorable Bill Hardiman, Chair
Senate Appropriations Subcommittee on DHS
Michigan State Senate
Lansing, Michigan 48933

The Honorable Rick Shaffer, Chair
House Appropriations Subcommittee on DHS
Michigan House of Representatives
Lansing, Michigan 48933

Dear Senator Hardiman and Representative Shaffer:

Section 675 of 2004 Public Act 344 (Enrolled House Bill No. 5516) states the department shall utilize the most recent market rate survey to explore potential costs to implement a child day care rate structure that more accurately reflects the costs of care by vicinity and that the department shall report the results of the analysis to the senate and house subcommittees on the department of human services budget, the senate and house fiscal agencies and policy offices, and the state budget office.

The 2005 Market Rate Survey has been completed and the Executive Summary is attached for your convenience.

Sincerely,

A handwritten signature in cursive script, appearing to read "Marianne Udow".

Marianne Udow

Attachments

- C: Senate and House Appropriations Subcommittee on DHS
- Senate and House Fiscal Agencies
- Senate and House Policy Offices
- State Budget Office

EXECUTIVE SUMMARY

The Family Support Act of 1988 stipulated that child care subsidy rates be driven by market rates (i.e., by the price of child care services in the market). Moreover, the passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996 required states to survey their child care markets at least every two years. In accordance with these regulations, the Michigan Department of Human Services conducted its most recent market rate survey during the months of January, February and March 2005. As in the past, the 2005 survey of child care centers, family homes, group homes, day care aides, and relative care providers was designed to gather the following information:

- Determine rates (e.g., hourly, weekly, etc.) charged for providing care to children in the following age groups: birth to less than 12 months, 12 months to less than 24 months, 24 months to less than 36 months, three years, four years, and school-aged (five years or older).
- Determine hours of operation.
- Determine the market rate at the 75th percentile by age group and provider type for each county.
- Determine the market rate at the 75th percentile by age group and provider type statewide and by shelter areas.

Sample Selection

In December 2004, there were 57,624 child care providers (i.e., child care centers, family homes, group homes, day care aides and relative care providers) identified in the Department's Office of Children and Adult Licensing database and the Department's Client Information Management System (CIMS). As with the 2002 market rate survey, a stratified random sample was created. The sample of 4,972 providers includes providers from each county and aforementioned provider type. Specifically, from each county, thirteen child care providers were selected from each of the five provider types, for a total of up to 65 providers from each county.

The final number of surveys included in the analysis was 3,173, representing 63.8% of the sample. This figure includes 455 respondents (14.3% of the respondents) who were no longer providing care.

Preliminary Results

The following exhibits summarize some of the key findings from the survey:

- Exhibit 1: Statewide Child Care Market Rate Survey Findings by Type of Child Care Provider
- Exhibit 2: Maximum Child Development and Care Hourly Rates
- Exhibit 3: Statewide Market Rate Survey Results

Exhibit 1: Statewide Child Care Market Rate Survey

Findings by Type of Child Care Provider

	Child Care Centers	Family Homes	Group Homes	Day Care Aides	Relative Care Providers
Percent of Respondents	61.5%	74.2%	83.0%	44.1%	58.7%
Percent no longer providing service	4.1%	15.9%	3.3%	36.2%	19.9%
Age Groups Served:					
• Zero to 12 mos	44.9%	93.7%	96.0%	62.1%	61.1%
• 12 mos to 24 mos	45.7%	96.6%	98.5%	70.4%	64.7%
• 24 mos to 36 mos	59.7%	98.2%	99.4%	69.5%	69.9%
• 3 years	86.3%	99.2%	99.7%	74.1%	72.1%
• 4 years	93.9%	98.9%	99.6%	77.4%	77.3%
• School-Aged	80.2%	94.6%	96.4%	93.7%	91.7%
Percent using the Internet	77.0%	67.7%	73.0%	40.3%	36.0%
Percent who accept children with special needs	95.9%	78.4%	87.6%	53.6%	46.4%
Percent currently serving children with special needs	59.5%	22.3%	40.4%	23.7%	26.5%
Percent who generally provide child care during the following times:					
• School vacation days	47.0%	96.1%	98.1%	93.4%	94.0%
• National holidays	31.8%	67.1%	68.1%	90.5%	90.3%
• Summer vacation	52.4%	96.6%	98.4%	95.8%	95.7%
• Overnight care	0.6%	29.3%	29.7%	61.6%	60.5%
• Weekend care	2.1%	28.1%	30.5%	84.1%	80.6%
• Weekday early mornings	35.7%	74.7%	80.8%	68.3%	69.6%
• Weekday evenings	8.8%	42.7%	45.7%	81.4%	79.5%
Percent who charge a higher than usual rate for:					
• School vacation days	14.6%	3.3%	6.1%	2.8%	1.7%
• National holidays	13.8%	8.7%	10.3%	4.9%	3.3%
• Summer vacation	15.6%	3.0%	6.7%	3.1%	2.1%
• Overnight care	0.0%	27.5%	27.2%	10.4%	3.9%
• Weekend care	18.2%	30.5%	29.6%	6.6%	4.8%
• Weekday early mornings	4.0%	7.1%	8.3%	4.9%	2.3%
• Weekday evenings	4.5%	16.9%	16.9%	5.5%	2.9%
Percent open on the following days:					
• Monday	93.9%	98.5%	99.6%	80.5%	75.7%
• Tuesday	94.6%	98.3%	99.7%	82.2%	75.3%
• Wednesday	94.2%	98.3%	99.6%	83.6%	74.9%
• Thursday	94.6%	98.5%	99.7%	82.9%	74.3%
• Friday	79.9%	97.1%	99.5%	80.2%	75.5%
• Saturday	3.2%	22.5%	24.9%	58.7%	56.7%
• Sunday	1.7%	18.1%	18.5%	51.0%	46.6%

Exhibit 2: Maximum Child Development and Care (CDC) Hourly Rates (with Incentives)¹

Maximum CDC Hourly Rates with Incentives ²								
Shelter Area	Child Care Centers		Family and Group Homes		Day Care Aides		Relative Care Providers	
	Child's Age		Child's Age		Child's Age		Child's Age	
	0-2 ½ years	2 ½ years+	0-2 ½ years	2 ½ years+	0-2 ½ years	2 ½ years+	0-2 ½ years	2 ½ years+
I	\$2.25 + .25*	\$1.90	\$2.00 + .30*	\$2.00	\$1.88**	\$1.88	\$1.35**	\$1.35
II	\$2.60 + .40*	\$2.25	\$2.00 + .20*	\$2.00	\$1.88**	\$1.88	\$1.35**	\$1.35
III	\$2.50 + .15*	\$2.00	\$2.00 + .35*	\$2.00	\$1.88**	\$1.88	\$1.35**	\$1.35
IV	\$2.85 + .50*	\$2.25	\$2.00 + .30*	\$2.00	\$1.88**	\$1.88	\$1.60**	\$1.60
V	\$3.00 + .40*	\$2.25	\$2.25 + .40*	\$2.10	\$2.12**	\$1.97	\$1.60**	\$1.60
VI	\$2.95 + .85*	\$2.50	\$2.50 + .50*	\$2.50	\$2.35**	\$2.35	\$1.60**	\$1.60

* “Infant/Toddler Incentive” which is added to the lesser of the provider’s charge or the Department of Human Services Maximum Rate.

** Trained Day Care Aides and Relative Care Providers receive an extra 25 cents per hour for care of children under 2 ½ years. “Trained” means the provider completed 16 hours of basic child care training approved by the Michigan 4C (Community Coordinated Child Care) Association, for which the provider was paid a \$150 incentive.

¹ Source: *Provider Handbook and Reporting Instructions for Child Care Providers*; Michigan Department of Human Services; Child Development and Care; revised April 2005.

² Infant/Toddler incentive payments have been authorized by the Michigan Legislature at least through September 30, 2005.

Exhibit 3: Statewide Market Rate Survey Results (Full-Time Rates, Hourly and Weekly)

Reference:

- Mean = the average hourly or weekly rate.
- Median = the mid-point, meaning the 50th percentile. It represents the value above and below which 50% of the observations fall. Unlike the mean, it is not affected by extreme values.
- Minimum = the lowest rate charged within the group of providers.
- Maximum = the highest rate charged within the group of providers.
- 75th Percentile = three-quarters (75%) of the providers charge that rate or less. Conversely, one-quarter (25%) charge higher than the rate shown.
- Weighting = results were weighted, when necessary, to more accurately reflect the true population of providers.

Tables:

- Full-time hourly and weekly rates are presented.
- One-sample t-tests were completed on the differences between the full-time and part-time rates. If there was a statistically significant difference (at the .05 level) between these rates, the part-time rates are also identified.

Statewide: Data Profile

Statewide	Child Care Centers	Family Homes	Group Homes	Day Care Aides	Relative Care	Total
N (population)	4,579	10,053	3,736	17,106	22,150	57,624
n (sample)	912	1,040	911	1,058	1,051	4,972
n/N (sample as a percentage of the population)	19.9%	10.3%	24.4%	6.2%	4.7%	8.6%
Returned surveys	561	772	756	467	617	3,173
Return rate	61.5%	74.2%	83.0%	44.1%	58.7%	63.8%

Statewide: Full-Time Hourly Rate Information (weighted by county)

Child Care Centers

Statewide: Full-Time Hourly Rate Info	Birth to less than 12 months	12 months to less than 24 months	24 months to less than 36 months	3 years	4 years	School- Aged (5 years or older)
n	60	60	70	83	91	142
Mean	3.91	3.90	3.73	3.38	3.35	3.74
Median	3.50	3.50	3.50	3.25	3.20	3.36
Minimum	2.00	2.00	2.00	1.85	1.85	1.75
Maximum	8.00	8.00	7.39	9.00	9.00	9.00
75 th percentile	4.55	4.50	4.43	4.03	4.00	5.00

Family Homes

Statewide: Full-Time Hourly Rate Info	Birth to less than 12 months	12 months to less than 24 months	24 months to less than 36 months	3 years	4 years	School- Aged (5 years or older)
n	337	343	355	375	353	354
Mean	3.00	3.06	2.99	2.92	2.93	2.93
Median	3.00	3.00	2.72	2.50	2.50	2.50
Minimum	1.50	1.50	1.50	1.50	1.50	1.50
Maximum	6.00	7.00	7.00	7.00	7.00	7.00
75 th percentile	3.00	3.25	3.00	3.00	3.00	3.00

Group Homes

Statewide: Full-Time Hourly Rate Info	Birth to less than 12 months	12 months to less than 24 months	24 months to less than 36 months	3 years	4 years	School- Aged (5 years or older)
n	396	402	401	406	405	420
Mean	2.92	2.84	2.70	2.67	2.66	2.66
Median	2.65	2.50	2.50	2.50	2.50	2.50
Minimum	1.50	1.50	1.50	1.44	1.44	1.44
Maximum	7.50	7.50	5.00	6.00	6.00	6.00
75 th percentile	3.00	3.00	3.00	3.00	3.00	3.00

Day Care Aides

Statewide: Full-Time Hourly Rate Info	Birth to less than 12 months	12 months to less than 24 months	24 months to less than 36 months	3 years	4 years	School- Aged (5 years or older)
n	61	56	57	41	55	168
Mean	2.93	3.62	2.79	2.32	2.38	4.32
Median	2.50	3.00	2.50	2.00	2.25	2.50
Minimum	1.21	1.21	1.00	1.00	1.00	1.00
Maximum	6.00	8.00	6.00	5.00	5.00	8.00
75 th percentile	4.93	5.00	4.00	2.50	2.65	8.00

Relative Care Providers

Statewide: Full-Time Hourly Rate Info	Birth to less than 12 months	12 months to less than 24 months	24 months to less than 36 months	3 years	4 years	School- Aged (5 years or older)
n	162	147	177	169	152	230
Mean	3.12	3.07	2.80	2.74	2.84	2.61
Median	2.50	2.50	2.00	2.00	2.00	2.00
Minimum	1.20	1.20	1.20	1.20	1.20	1.20
Maximum	5.75	5.15	6.00	5.15	5.75	5.75
75 th percentile	4.00	4.00	3.78	3.87	4.00	3.00

Statewide: Part-Time Hourly Rate Information (weighted by county)

Child Care Centers

The difference between the full-time and part-time hourly rate charged by child care centers, for those aged 24 months to less than 36 months, was statistically significant at the .035 level.

Statewide: Part-Time Hourly Rate Info	24 months to less than 36 months
n	63
Mean	3.80
Median	3.25
Minimum	2.00
Maximum	11.05
75 th percentile	4.50

Family Homes

The difference between the full-time and part-time hourly rate charged by family homes was statistically significant at the .000 level for those aged: Birth to less than 12 months, 12 months to less than 24 months, 24 months to less than 36 months, 3 years, and 4 years. The difference was statistically significant at the .001 level for school-aged children.

Statewide: Part-Time Hourly Rate Info	Birth to less than 12 months	12 months to less than 24 months	24 months to less than 36 months	3 years	4 years	School-Aged (5 years or older)
n	329	350	357	357	362	356
Mean	3.04	3.07	3.05	3.00	2.97	2.98
Median	3.00	3.00	3.00	2.75	2.75	2.75
Minimum	1.40	1.40	1.40	1.40	1.40	1.00
Maximum	6.00	7.00	7.00	10.00	10.00	10.00
75 th percentile	3.00	3.00	3.00	3.00	3.00	3.00

Group Homes

The difference between the full-time and part-time hourly rate charged by group homes was statistically significant at the .000 level for all six age groups served.

Statewide: Part-Time Hourly Rate Info	Birth to less than 12 months	12 months to less than 24 months	24 months to less than 36 months	3 years	4 years	School- Aged (5 years or older)
n	409	407	409	412	414	428
Mean	3.15	3.07	2.96	2.93	2.93	2.93
Median	2.75	2.75	2.50	2.50	2.50	2.50
Minimum	1.50	1.50	1.50	1.50	1.50	1.50
Maximum	10.00	10.00	10.00	10.00	10.00	10.00
75 th percentile	3.30	3.25	3.00	3.00	3.00	3.00

Day Care Aides

The difference between the full-time and part-time hourly rate charged by day care aides, for school-aged children, was statistically significant at the .000 level.

Statewide: Part-Time Hourly Rate Info	School-Aged (5 years or older)
n	141
Mean	3.65
Median	2.60
Minimum	0.94
Maximum	6.00
75 th percentile	6.00

**Statewide: Full-Time Weekly Rate Information
(weighted by county)**

Child Care Centers

Statewide: Full-Time Weekly Rate Info	Birth to less than 12 months	12 months to less than 24 months	24 months to less than 36 months	3 years	4 years	School- Aged (5 years or older)
n	182	170	225	234	240	199
Mean	163.02	158.21	143.76	123.93	123.84	114.38
Median	160.00	153.38	145.00	128.39	125.00	125.00
Minimum	12.00	12.00	7.00	7.50	7.50	6.25
Maximum	300.00	300.00	300.00	300.00	337.50	300.00
75 th percentile	179.13	175.00	165.00	145.00	145.00	145.00

Family Homes

Statewide: Full-Time Weekly Rate Info	Birth to less than 12 months	12 months to less than 24 months	24 months to less than 36 months	3 years	4 years	School- Aged (5 years or older)
n	425	431	431	461	433	391
Mean	127.16	124.29	121.04	119.59	119.03	116.73
Median	125.00	125.00	125.00	125.00	125.00	120.00
Minimum	10.00	35.00	35.00	35.00	35.00	6.00
Maximum	250.00	250.00	250.00	250.00	250.00	125.00
75 th percentile	150.00	140.00	132.00	130.00	130.00	130.00

Group Homes

Statewide: Full-Time Weekly Rate Info	Birth to less than 12 months	12 months to less than 24 months	24 months to less than 36 months	3 years	4 years	School- Aged (5 years or older)
n	472	483	478	488	487	442
Mean	135.53	134.29	129.86	127.12	126.67	116.86
Median	125.00	125.00	125.00	124.23	120.00	110.00
Minimum	11.00	11.25	11.25	11.25	11.25	10.00
Maximum	800.00	800.00	800.00	800.00	800.00	800.00
75 th percentile	150.00	150.00	145.00	135.00	135.00	130.00

Day Care Aides

Statewide: Full-Time Weekly Rate Info	Birth to less than 12 months	12 months to less than 24 months	24 months to less than 36 months	3 years	4 years	School- Aged (5 years or older)
n	47	55	56	84	94	167
Mean	146.51	124.58	134.05	141.05	137.54	132.35
Median	119.18	100.00	100.00	160.00	160.00	150.00
Minimum	33.00	33.00	33.00	50.00	6.00	33.00
Maximum	350.00	350.00	350.00	350.00	350.00	450.00
75 th percentile	250.00	189.90	180.00	160.00	160.00	160.00

Relative Care Providers

Statewide: Full-Time Weekly Rate Info	Birth to less than 12 months	12 months to less than 24 months	24 months to less than 36 months	3 years	4 years	School- Aged (5 years or older)
n	66	43	66	62	47	91
Mean	129.39	141.95	131.07	126.86	147.48	119.40
Median	121.48	143.54	124.81	100.00	160.00	100.00
Minimum	27.00	27.00	27.00	27.00	27.00	25.00
Maximum	250.00	250.00	250.00	250.00	250.00	250.00
75 th percentile	160.00	160.00	160.00	160.00	160.00	160.00

Statewide: Part-Time Weekly Rate Information (weighted by county)

Child Care Centers

The difference between the full-time and part-time weekly rate charged by child care centers was statistically significant at the .000 level for those aged: Birth to less than 12 months, 12 months to less than 24 months, 24 months to less than 36 months, 3 years, and 4 years.

Statewide: Part-Time Weekly Rate Info	Birth to less than 12 months	12 months to less than 24 months	24 months to less than 36 months	3 years	4 years
n	100	101	112	138	141
Mean	145.73	145.85	128.07	101.41	101.24
Median	155.00	158.69	125.00	111.13	110.00
Minimum	48.75	48.75	13.75	7.50	7.50
Maximum	300.00	300.00	300.00	300.00	300.00
75 th percentile	175.00	175.00	130.00	130.00	127.94

Family Homes

The difference between the full-time and part-time weekly rate charged by family homes was statistically significant at the .000 level for all six age groups served.

Statewide: Part-Time Weekly Rate Info	Birth to less than 12 months	12 months to less than 24 months	24 months to less than 36 months	3 years	4 years	School- Aged (5 years or older)
n	245	269	270	278	258	237
Mean	101.18	100.13	95.67	94.80	93.35	91.83
Median	100.00	100.00	90.00	100.00	90.00	82.20
Minimum	20.00	20.00	20.00	20.00	20.00	20.00
Maximum	222.50	222.50	200.00	200.00	200.00	200.00
75 th percentile	130.00	130.00	125.00	125.00	125.00	125.00

Group Homes

The difference between the full-time and part-time weekly rate charged by group homes was statistically significant at the .000 level for all six age groups served.

Statewide: Part-Time Weekly Rate Info	Birth to less than 12 months	12 months to less than 24 months	24 months to less than 36 months	3 years	4 years	School- Aged (5 years or older)
n	245	245	253	255	258	266
Mean	109.52	106.25	100.00	98.84	98.52	93.47
Median	100.00	100.00	100.00	96.47	100.00	85.00
Minimum	25.00	14.00	25.00	25.00	25.00	17.50
Maximum	500.00	500.00	500.00	500.00	900.00	500.00
75 th percentile	130.00	126.88	125.00	125.00	125.00	125.00

Day Care Aides

The difference between the full-time and part-time weekly rate charged by day care aides was statistically significant for the following age groups: Birth to less than 12 months (.004), 12 months to less than 24 months (.021), 24 months to less than 36 months (.001), 3 years (.003), 4 years (.000), and school-aged (.005).

Statewide: Part-Time Weekly Rate Info	Birth to less than 12 months	12 months to less than 24 months	24 months to less than 36 months	3 years	4 years	School- Aged (5 years or older)
n	38	35	36	76	81	142
Mean	135.26	137.20	132.62	136.56	131.06	136.59
Median	100.00	100.00	104.74	160.00	160.00	150.00
Minimum	33.00	33.00	20.00	27.00	27.00	25.00
Maximum	250.00	250.00	225.00	160.00	160.00	350.00
75 th percentile	250.00	250.00	225.00	160.00	160.00	160.00

Relative Care Providers

The difference between the full-time and part-time weekly rate charged by relative care providers was statistically significant at the .000 level for all six age groups served.

Statewide: Part-Time Weekly Rate Info	Birth to less than 12 months	12 months to less than 24 months	24 months to less than 36 months	3 years	4 years	School- Aged (5 years or older)
n	56	34	52	52	36	68
Mean	94.34	75.70	88.73	86.66	80.62	86.22
Median	100.00	64.00	102.32	100.00	70.89	93.86
Minimum	27.00	8.00	27.00	27.00	27.00	25.00
Maximum	200.00	150.00	150.00	150.00	150.00	164.69
75 th percentile	110.00	86.23	105.00	100.00	100.00	95.00